can be solved only with the cooperation of the State Governments. Otherwise, even if we are determined to solve the water problem in this country, it is difficult. At the same time, the Central Government and the State Governments should cooperate on this particular issue.

Review of rate of interest by RBI

*546. SHRI LALIT SURI : Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state :

(a) whether the Reserve Bank of India proposes to review the 4 per cent rate of interest on savings bank accounts being paid at present by the commercial banks in view of the fact that inflation rate has recently crossed the 6 per cent level; and

(b) if so, by when a decision in this regard is likely to be taken ?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH) : (a) and (b) A Statement is placed on the Table of the House.

Statement

Review of Rate of Interest by RBI

(a) and (b) Reserve Bank of India (RBI) has informed that except for interest on savings bank accounts other bank deposit rates have been deregulated. These rates are kept under constant review and adjusted according to prevailing macro-economic and market conditions. Recent changes in the savings deposit rate made by the Reserve Bank are given below :

Rate of interest on Savings Deposits

Effective from	Rate (Per cent Per Annum)
November 01,1994	4.5
April 01,2000	4.0
March 01,2003	3.5

The recent cut in the savings deposit rate was effected following the announcement of reduction in the small savings rates by the Government. The present savings deposit rate is slightly higher than the average inflation rate of 3.34 per cent for 2002-2003.

SHRI LALIT SURI : Mr. Chairman, Sir, the Hon'ble Minister has, in his reply, stated that the interest rates on the savings are going down gradually. There has always been a difference of about two per cent between the rate of

interest and the rate of inflation. But, recently, the interest rate is going down and the inflation rate is going up. In his reply, he has stated that on 1st March, 2003 the rate of interest was 3.5 per cent and the rate of inflation was 3.34 per cent. But there were reports in the newspapers on 12th April, 2003 saying that the inflation rate had gone up to 6.47 per cent. If that is the case, I would like to know from the hon. Minister, whether the savings can also be deregulated, like the other deposits of the scheduled Banks have been deregulated; and whether there can be any mechanism by which the interest rate can be kept one or two per cent higher than the inflation rate.

SHRI JASWANT SINGH : Sir, there are two aspects to it. Firstly, let me clarify that, of the three possible Bank deposits, current, savings and fixed, it is only the savings which is now regulated. The other two, current and fixed, are deregulated. They are under the region and authority of the Banks to handle. The savings is controlled by the Reserve Bank of India. Sir, I have personal difficulty in this regard. The hon. Member knows that today the Reserve Bank of Indis is—I think, within twenty minutes time or so from now—going to announce its Credit Policy for the current season. So, it will be completely unwise of me to comment on the Credit Policy.

But I wish to take this opportunity to say just one thing that what you have referred to the six plus per cent, is the point-to-point rate of growth of inflation, not inflation *per se*. We are very mindful of it and so is the Reserve Bank of India. This is the phenomenon for the last two or three weeks, on account of various factors, including the hike in hydrocarbon prices and I am confident that in the coming weeks this will see an easing. But as far as the other aspect of the question is concerned, it is better that we wait for the Reserve Bank's announcement of the Credit Policy.

SHRI LALIT SURI : Sir, my second question is that in the income-tax system, that rate of interest charged on the tax dues is about 12 per cent whereas the rate of interest on refund given is only six per cent. So, there is a parity of six per cent in that. Is there any mechanism, or , way out so that it can be reduced to a reality level, nearest possible, of what they charge and what they give ?

SHRI JASWANT SINGH : Sir, this does not strictly arise out of this question. But I will still answer this. Yes, there is a differential between what the Income-Tax Department pays as interest on delayed payments etc. and the Income-Tax Department or the departments dealing with indirect taxes charges as interest, should an assessee delay. Part of this policy is a deliberate intent because interest rate itself should be a kind of deterrent in

not paying late. But I take note of what is said that this kind of differential in the present circumstances is really worthy of being examined again. As part of the total tax reforms, we are doing certain things. But I do not want it to be considered as an assurance of any kind. I am just sharing a thought with the hon. Member.

SHRI C. RAMACHANDRAIAH : Sir, it is a very important question. do not object for reduction of interest rates in this country, because as the RBI is going to announce the Credit Policy, they should make available funds for the industry at competitive prices so that they can compete in the international market.

What I am trying to ascertain from the Government is this. You have pronounced that eight per cent should be the growth rate of this country, which you are going to achieve. But, our experience is that the FDIs were not forthcoming, as you have anticipated, because of so many reasons, which I do not want to dwell at this stage.

Sir, unless you mop up the savings in this country to a level of 33 to 35 per cent to achieve eight per cent growth rate, how are you going to augment the public sector investment, which has got a strong complimentality with the private sector investment ? Unless you do that, you cannot touch the growth rate of eight per cent. How is the Government going to raise the resources in this country ?

SHRI JASWANT SINGH : Sir, I think, the observation made by the hon. Member is perfectly valid that the total domestic savings rate should go up to a certain percentage. I won't go into the arithmetic of what it should be, but certainly it should be more than the current 34 plus per cent that we have. We need to raise the current domestic savings rate, without any doubt, if we are to have the resources. This is a combination of many things that have to be done and not just the interest rates but also the encouragement through the taxation regime for savings etc. As it is, India and the citizens of India, perhaps, are world's naturally, socially the greatest savers and we have to persuade the citizens to move away from non-productive savings to productive savings. This is a long-term thing. It cannot be done overnight. But, I agree with you that this is one of the objectives of the Government.

SHRI MURLI DEORA : Mr. Chairman, Sir, on the week-end, ending April 12, the rate of inflation went up to 6.47 per cent and the hon. Minister is not ready to reply because of the Credit Policy being announced by the RBI and the interest rates, etc. But I wonder whether the Hon. Minister is aware that last year, exactly at this time, the rate of inflation was 1.37 per cent. There is

a steep rise in this. Is the Minister concerned about that ? And, if so, what steps he proposes to take to bring down the inflation ?

SHRI JASWANT SINGH : Sir, I am aware of what it was last year.

SHRI MURLI DEORA : I am very happy to hear that.

SHRI JASWANT SINGH : It is not that I remain unaware of what happens. I am being paid salary to do the best I can. Of course, I am concerned. I am concerned that the rate of growth of inflation is crossing a certain limit. But the conditions that obtain this year are not the same as obtained last year. Among the factors that have contributed to this 6 per cent plus rate of growth for the last two or three weeks are of course the Gulf War, the accumulated effect of the drought and also certain increased higher price realisation in the manufacturing sector. The third one, I find is, healthy. I would encourage that the manufacturing sector remains healthy. The first two, the Gulf War and the drought, of course, have to be attend to. We should soon be witnessing a correction. We are closely monitoring the situation along with the Reserve Bank of India.

Impact of Iraq war on economy

*547. SHRI RAJ KUMAR DHOOT : Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to refer to the answer to unstarred question No. 2070 given in the Rajya Sabha on 11th March, 2003 and state :

(a) the achievements made during 2001-02 and 2002-03 with regard to higher private initiative and greater integration with the world economy, reducing the level of poverty and facilitating greater investment;

(b) the targets set out for 2003-2004 in these sectors;

(c) whether the war in Iraq will affect the targets set out;

(d) if so, details thereof; and

(e) the steps being taken to reduce the adverse impact of the war in Iraq ?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH) : (a) to (e) A statement is placed on the table of the House.

Statement

Impact of Iraq war on economy

(a) As per available information share of the private sector in the total Gross Domestic Product (GDP) increased from 74.1 per cent in 1993-94 to 76.0 per cent in 2001-02. During the same period, the share of private sector